

Message Text

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14-11

ACTION EA-06

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FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC 4310

C O N F I D E N T I A L VIENTIANE 4126

LIMDIS

E.O. 11652: GDS

TAGS: EAID, LA

SUBJ: FEOF AGREEMENTS

REF: A) STATE 133587

B) VIENTIANE 4091

C) VIENTIANE 4022

1. DAB MET AS SCHEDULED MORNING JUNE 9. AUSTRALIAN AND U.K. REPRESENTATIVES STATED THEY HAD NOT YET RECEIVED INSTRUCTIONS FROM THEIR GOVERNMENTS BUT EXPECTED THEM BY JUNE 10. JAPANESE REP NISHIYAMA STATED HIS GOVERNMENT HAS AGREED TO GO ALONG WITH THE PROPOSITION PUT FORWARD AT LAST DAB MEETING (REF C) BUT WOULD LIKE AN EXPLICIT PROVISION INCLUDED IN THE AGREEMENTS THAT ANY FURTHER CONTRIBUTIONS BY DONORS (BEYOND 50 PERCENT) WILL DEPEND UPON A REASSESSMENT OF FEOF. HE INDICATED THAT PRIMARY PURPOSE OF THIS PROVISION WAS TO ALLOW FOR POSSIBILITY OF NO FURTHER U.S. CONTRIBUTION (BEYOND 50 PERCENT) IN WHICH CASE FEOF SYSTEM WOULD PRESUMABLY NOT BE VIABLE. FRENCH REP INDICATED THAT PARIS WAS IN AGREEMENT IN PRINCIPLE WITH THE PROPOSITION OF AN INTERIM CONTRIBUTION. HOWEVER, POINT RAISED BY FRENCH REP EARLIER, NAMELY HANDLING OF FOREIGN EXCHANGE COM-
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PONENT OF FRENCH CONTRIBUTION, HAD TO BE CLARIFIED

BEFORE PARIS COULD GIVE FORMAL APPROVAL.

2. MISSION REP THEN STATED THAT U.S. WAS PREPARED TO SIGN FEOF AGREEMENTS BUT WOULD MAKE NO FURTHER CONTRIBUTION OVER AND ABOVE \$5 MILLION ALREADY CONTRIBUTED UNTIL OUTSTANDING AID ISSUES, RELATING PRIMARILY TO LIQUIDATION OF USAID, WERE RESOLVED SATISFACTORILY. OTHER DONORS TOOK NOTE OF STATEMENT BUT GAVE NO INDICATION THAT THEY WOULD REDUCE THEIR INITIAL CONTRIBUTIONS CORRESPONDINGLY. HENCE MISSION REP DID NOT SPECIFICALLY RAISE 30 PERCENT FORMULA (REF A, PARA 3). (COMMENT: THIS MAY BE JUST AN INITIAL REACTION SUBJECT TO CHANGE AFTER U.S. POSITION IS REPORTED TO CAPITALS. HOWEVER, AT THIS POINT 50 PERCENT CONTRIBUTION BY OTHER DONORS DESPITE U.S. LIMITATION OF ITS CONTRIBUTION FOR THE TIME BEING TO \$5 MILLION APPEARS A DEFINITE POSSIBILITY.)

3. DONOR REPS THEN PROCEEDED WITH INITIAL REVIEW OF THE TEXTS OF LAST YEAR'S AGREEMENTS TO DETERMINE NECESSARY CHANGES. IN MEMORANDUM OF UNDERSTANDING (PARA 1A) AUSTRALIAN, U.K. AND U.S. CONTRIBUTIONS WOULD REMAIN UNCHANGED AND JAPANESE AND FRENCH FIGURES ARE NOT YET FIRM. LAO CONTRIBUTION WOULD BE STATED AT 361 MILLION. RE PARAGRAPHS CONCERNING BUDGET FIGURES

AND QUARTERLY CEILINGS ON NET INFLATIONARY BORROWING AND FEOF DRAWINGS IN OPEN AND CONFIDENTIAL LETTERS IMF RESIDENT REP SMITH WAS ASKED TO PROVIDE NECESSARY FIGURES. U.K. REP FAIRWEATHER ASKED LAO REP BOUNSOUANE TO CALL SECSTATE BOUSBONG'S ATTENTION TO THE STATEMENT IN THE U.S. OPEN LETTER THAT EXCHANGE OF LETTERS IS IN IMPLEMENTATION OF THE ECONOMIC COOPERATION AGREEMENT OF SEPTEMBER 9, 1951.

4. NEXT DAB MEETING SCHEDULED FOR JUNE 11 TO CONTINUE REVIEW OF TEXTS OF FEOF AGREEMENTS AND GET REPORT FROM AUSTRALIAN AND U.K. REPRESENTATIVES OF THEIR INSTRUCTIONS.

5. COMMENT: IN VIEW OF OUTCOME OF TODAY'S DAB MEETING
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BELIEVE UNNECESSARY AT THIS TIME TO CALL REPRESENTATIVES OF DONOR COUNTRIES AS TENTATIVELY SUGGESTED REF B, PARA 2. RE ADDITIONAL LAO INTERIM FINANCING SUGGESTED REF A, PARA 4, SITUATION IS AS FOLLOWS: AT THIS POINT FEOF HAS ABOUT \$250,000 OF FUNDS NOT ALREADY COMMITTED. WHILE LAO CAN BE EXPECTED TO KEEP FEOF GOING IN THE ANTICIPATION OF EARLY SIGNING OF AGREEMENTS FOLLOWED BY A QUICK AND SIGNIFICANT

DONOR INPUT, WE WOULD NOT EXPECT THEM TO UNDERTAKE
SUCH FUNDING IF PROSPECTS OF SIGNATURE OF AGREEMENTS
AND EARLY DONOR CONTRIBUTIONS APPEAR TO THEM TO BE IN
DOUBT.
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